

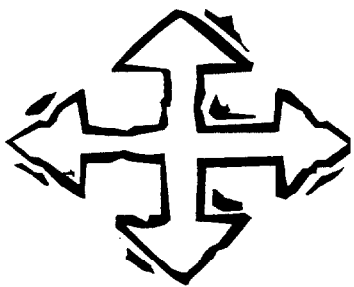
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DATE: OCTOBER 12, 1999

TO: Barrett Fountos, DOE

Attached please find a copy of the final financial report by the Office of Management Assessment following their review of the Chornobyl research projects. I have also included a list of people to whom I have addressed copies.

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

National Institutes of Health
Bethesda, Maryland 20892

SEP 24 1999

Refer to: Case # 1999-26

TO: Mr. Anthony Itteilag
Deputy Director for Management
Through: Associate Director for Administration 

FROM: Director, Office of Management Assessment, OA, OM

SUBJECT: Report on Financial Review of Chornobyl

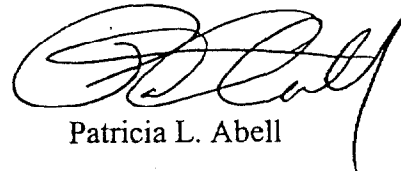
Attached is the report on the Office of Management Assessment's financial review of the Chornobyl studies. As you requested, the report answers the following two questions:

- 1) What National Cancer Institute (NCI) staff and other resources were committed to and used for the Chornobyl studies, and
- 2) What staff and resources from entities other than NCI were committed to and used by NCI for the studies?

In addition, we reviewed NCI's compliance with the financial requirements of the interagency agreements with the Department of Energy and the Nuclear Regulatory Commission.

This report was reviewed and cleared by the Special Assistant, Office of Management; staff from the Office of Financial Management; and NCI administrative and financial staff.

If you have any questions, please call me on x61873.



Patricia L. Abell

Attachment

cc: w/attachment
Dr. Robert Waldman, OM
Mr. Richard Rhoads, OFM
Mr. John Hartinger, NCI
Ms. Betsy Duane, NCI

FINANCIAL REVIEW OF RESOURCES USED BY NCI FOR THE CHORNOBYL STUDIES

Office of Management Assessment

EXECUTIVE SUMMARY:

The Fiscal Year (FY) 1999 Departments of Labor, Health and Human Services, and Education Appropriations Conference Report included a provision requiring an independent scientific and management review and audit of the thyroid and leukemia studies being conducted by the governments of Belarus, and Ukraine with the assistance and cooperation of the United States [the Chornobyl studies]. The Office of Management Assessment (OMA), a component of the Office of the Director, National Institutes of Health (NIH), was asked to answer the following questions:

- (1) What National Cancer Institute (NCI) staff and other resources were committed to and used for the Chornobyl studies, and
- (2) What staff and resources from entities other than NCI were committed to and used by NCI for the studies?

In addition, OMA reviewed NCI's compliance with the financial requirements of the interagency agreements with the Department of Energy (DOE) to provide matching funds and financial reports and with the Nuclear Regulatory Commission (NRC) to provide financial reports. OMA found that NCI complied with those financial requirements with the exception of the requirement to provide financial reports to DOE. NCI and DOE staffs working together have resolved this issue.

As shown in the table below, OMA found:

- (1) NCI staff and other resources: From October 1, 1990 through March 22, 1999, NCI had available to obligate \$7,131,800 from its appropriated funds, obligated \$5,415,200 and disbursed \$3,638,400 (each of these figures includes an estimated \$1,694,000 in NCI staff salaries).
- (2) Staff and resources from entities other than NCI: From October 1, 1990 through March 22, 1999, DOE made available for NCI to obligate \$2,322,000, and NCI obligated \$2,138,000 and disbursed \$1,618,500. NRC made available \$834,300 to NCI in FY 1997, and NCI obligated and disbursed the same amount. NCI used few non-NCI Federal employees on the studies, and such costs were minimal.

<u>Source of Funds</u>	<u>Available</u>	<u>Obligated</u>	<u>Disbursed</u>
NCI*	\$ 7,131,800	\$5,415,200**	\$3,638,400**
DOE	2,322,000	2,138,000	1,618,500
NRC	834,300	834,300	834,300
TOTAL	<u>\$10,288,100</u>	<u>\$8,387,500</u>	<u>\$6,091, 200</u>

* Includes an estimated \$1,694,000 in staff salaries.

** These amounts are as of March 22, 1999; NCI will continue to obligate the FY 1999 authorized funds through the end of the FY.

A detailed breakout of NCI appropriated funds by FY is included as **Appendix 1**; a detailed breakout of DOE and NRC funds by FY is included as **Appendix 2**; and a breakout of amounts obligated and amounts disbursed by Object Class is included as **Appendix 3**.

In performing this analysis, OMA used the standard Government definitions of "Available Funds," "Obligated Funds," and "Disbursed Funds" as follows:

Available Funds

- for NCI funds: the appropriated funds allocated internally by NCI to the Chernobyl studies via budget plans, and the amounts estimated for NCI staff salaries.
- for NRC/DOE funds: the amounts stated on the annual interagency agreements and wire transfers.

Obligated Funds

Amounts meeting the definition of obligations as stated in 31 USC §1501 and OMB Circular A-34, Instructions on Budget Execution, §11.5. Obligated funds, although not yet disbursed, are used and reserved at the time of obligation for payment in the future.

- for NCI funds: the amounts shown in the Common Accounting Numbers (CANs) of the NIH Central Accounting System, and estimated salaries.
- for NRC/DOE funds: the amounts shown in the NIH Central Accounting System, interagency agreements, and wire transfers.

Disbursed Funds

The same as amounts expended, or expenditures. This report uses the term "Amounts Disbursed" because NIH uses this term in the Central Accounting System.

It should be noted that NCI/NIH, as a component of the Federal Government, has the authority to disburse properly obligated funds up to five years after the authority to obligate has expired (as provided by 31 USC §1552).

FINDINGS:

- NCI **"used"** (i.e., **obligated**) 76 percent of the funds made available by NCI, 92 percent of the funds made available by DOE, and 100 percent of the funds made available by NRC.
- As of March 22, 1999, NCI had **"paid"** (i.e., **disbursed**) 67 percent of NCI funds it **"used,"** 76 percent of the DOE funds it **"used"** and 100 percent of the NRC funds **"used."**
- NCI has **"used"** but not yet **"paid"** 33 percent of NCI funds and 24 percent of DOE funds. As stated above, NCI has the authority to disburse these funds up to five years after the authority to obligate has expired.

BACKGROUND:

After the 1986 Chornobyl accident, Soviet President Gorbachev and U.S. President Reagan signed an international agreement calling for bi-national cooperation to undertake research in the Soviet Union on the health consequences of the resulting radiation exposure. Because of NCI's experience and expertise in radiation research, in 1990, DOE and NCI entered into an interagency agreement whereby NCI agreed to manage the scientific aspects of a long-term clinical epidemiology study of the health effects that might result from exposure to the Chornobyl accident. Shortly thereafter, the Soviet Union dissolved, and new independent governments were established in Belarus and Ukraine.

NCI's early efforts were predominantly directed to assisting the new governments in the design of a protocol to carry out the study. At the same time, NRC was working through DOE to provide funds to Lawrence Livermore National Laboratory (LLNL) for the purchase and delivery of supplies and equipment needed by the scientists in Belarus and Ukraine. Through 1996, NCI's work was focused on developing the operational infrastructure needed to implement the study protocols.

At the end of 1996, DOE and NCI agreed that NCI would take over the responsibility for administration of the studies. Also, NRC transferred funds to NCI for the purchase and delivery of equipment and supplies. In May 1997, NCI signed an agreement with the Veteran's Affairs National Acquisition Center (VANAC) for the supply and delivery of NCI-identified supplies and equipment to Belarus and Ukraine. Effective April 1, 1999, VANAC was replaced by Columbia University (Columbia).

As part of a DOE-NCI plan of action, in September 1997, NCI entered into a contract with Columbia University for technical assistance for the studies (NO2CP77032 - \$2,348,238).

The FY 1999 Departments of Labor, Health and Human Services, and Education Appropriations Conference Report included a provision, "...requiring an independent scientific and management review and audit of the thyroid and leukemia studies being conducted by the United States and the governments of Belarus and Ukraine." Senators Harkin, Dorgan, Daschle, and Durbin cited the Conference Report in a December 9, 1998, letter to the Secretary, Department of Health and Human Services (DHHS), and urged the Department to quickly implement the Conference provisions and to immediately implement the management review and audit.

In a June 28, 1999, letter to Senator Harkin, the Director, NIH, described the five part plan for responding to the above Conference Report. That plan, as concurred in by Senate staff, included the financial review which is the subject of this report.

The Deputy Director for Management, NIH, asked OMA, to identify the resources provided by NCI and other entities which were used by NCI on the Chornobyl studies.

SCOPE AND METHODOLOGY:

The scope of OMA's review was limited to determining what resources provided by NCI and other entities (DOE and NRC) were used by NCI on the Chornobyl studies. OMA did not address staff and other resources DOE and/or NRC may have committed to or used on the Chornobyl studies independently, apart from those used by NCI. The review covered the period from October 1, 1990 through March 22, 1999, the date of the latest financial information reviewed.

OMA interviewed NCI scientific and management staff responsible for the studies and staff from the NIH Office of Financial Management. OMA obtained reports on the funds available, obligated, and disbursed from NCI administrative and financial staff. OMA obtained information regarding DOE and NRC funding from the interagency agreements and from records of wire transfers to Belarus and Ukraine.

For purposes of this review, OMA treated the terms "Available Funds," "Obligated Funds," and "Disbursed Funds" as follows:

Available Funds

- for NCI funds: the appropriated funds allocated internally by NCI to the Chornobyl studies via budget plans, and the amounts estimated for NCI staff salaries.
- for NRC/DOE funds: the amounts stated on the annual interagency agreements and wire transfers.

Obligated Funds

Amounts meeting the definition of obligations as stated in 31 USC §1501 and OMB Circular A-34, Instructions on Budget Execution, §11.5. Obligated funds, although not yet disbursed, are used and reserved at the time of obligation for payment in the future.

- for NCI funds: the amounts shown in the CANs of the NIH Central Accounting System, and estimated salaries.
- for NRC/DOE funds: the amounts shown in the NIH Central Accounting System, interagency agreements, and wire transfers.

Disbursed Funds

The same as amounts expended, or expenditures. This report uses the term "Amounts Disbursed" because NIH uses this term in the Central Accounting System.

To determine the NCI staff salaries available, obligated, and disbursed on the Chornobyl studies, OMA asked NCI staff to provide the names of individuals who worked on the studies, their annual salaries, and the estimated percentage of effort they spent on these studies. Non-Federal experts and consultants used by NCI on the studies are not included as part of staff resources but are included under the category (Object Class) of "Other Contractual Services."

OMA analyzed the NCI agreements with DOE and NRC and compared the terms of the agreements with the appropriate sections of the United States Code. OMA also reviewed NCI's compliance with the financial requirements of the agreements with DOE and NRC.

OMA performed the review using as guidelines the generally accepted auditing standards established by the U.S. General Accounting Office (1994).

QUESTION 1: What NCI staff and other resources were committed to and used by NCI for the studies during the review period?

ANSWER:

<u>Resources</u>	<u>Available</u>	<u>Obligated*</u>	<u>Disbursed*</u>
NCI Staff Salaries	\$1,694,000	\$1,694,000	\$1,694,000
NCI Other Resources	5,437,800	3,721,200	1,944,400
NCI Total	<u>\$7,131,800</u>	<u>\$5,415,200</u>	<u>\$3,638,400</u>

*Amounts shown are as of March 22, 1999; NCI will continue to obligate the FY 1999 available funds through the end of the FY.

A detailed breakout by FY is included in **Appendix 1**.

- NCI Staff Salaries

NCI staff salaries made available and obligated are based on estimated data provided by NCI regarding individuals who worked on the studies, their annual salaries, and the percentage of effort they spent on these studies.

The amounts shown above for obligated and disbursed staff salaries are the same because the NIH payroll system is a routine function occurring on a scheduled basis every two weeks; there is only a short period of time between when these amounts are obligated and when they are disbursed.

- NCI Other Resources

As shown above, there is a difference between the amount NCI obligated, which is recorded when the Government enters into a binding agreement to pay for goods/services to be provided, and the amount NCI disbursed, which is the payment made after the goods/services have been received. It should be noted that:

1. NCI continues to obligate the FY 1999 funds until the end of the fiscal year.
2. NCI continues to disburse funds since, as a component of the Federal Government, it has the authority to disburse funds up to five years after the authority to obligate has expired (as provided by 31 USC §1552).
3. Columbia University continues to use contract funds (which are NCI obligated funds) which are later disbursed by NCI.

QUESTION 2: What staff and resources from entities other than NCI were committed to and used by NCI for the studies during the review period?

ANSWER:

Source	<u>Available</u>	<u>Obligated</u>	<u>Disbursed</u>
DOE	\$2,322,000	\$2,138,000	\$1,618,500
NRC	834,300	834,300	834,300
Total	<u>\$3,156,300</u>	<u>\$2,972,300</u>	<u>\$2,452,800</u>

Note: NCI staff responsible for the scientific progress of these studies advised OMA that NCI used few non-NCI Federal employees on the studies, and such costs were minimal.

A detailed breakout by FY is included as **Appendix 2**.

DOE and NRC both provided funds to NCI for the Chornobyl studies through interagency agreements, however, the terms of the agreements differed. Under the DOE agreements, NCI was to provide funds and was **reimbursed** by DOE up to the amount of the agreements, while under the NRC agreements, NCI was **advanced** the funds specified.

- **NCI Interagency Agreements with DOE Were Reimbursable Agreements:**

DOE entered into agreements with NCI beginning in FY 1991 under which NCI obligated and disbursed funds for the studies and then requested reimbursement of the disbursed amounts from DOE. Beginning in FY 1997, the agreements required NCI and DOE to provide matching funds. OMA found that NCI funds provided for Chornobyl exceeded the amounts DOE provided for every year since FY 1992.

DOE gave NCI authority to obligate \$2,322,000, NCI obligated \$2,138,000 (92 percent of the available funds) and disbursed \$1,618,500 (76 percent of the obligated funds). As discussed in Question 1, NCI is continuing to disburse the obligated funds as Federal components have the authority to disburse funds up to five years after the authority to obligate has expired.

- **NCI Interagency Agreements with NRC Were Advance Payment Agreements:**

NRC signed interagency agreements with NCI for FY 1997 to provide equipment and supplies to Belarus and the Ukraine. Through these agreements, NRC advanced \$834,300 to NCI, and NCI immediately entered into an agreement with VANAC and disbursed \$834,000, in effect serving as a passthrough of funds.

NCI identified the equipment and supplies needed in Belarus and Ukraine and forwarded this data to VANAC; VANAC was responsible for the purchase and delivery of the equipment and supplies.

Effective March 1999, VANAC terminated its agreement with NCI. With the concurrence of NRC, NCI then contracted with Columbia, effective April 1, 1999, to provide the support previously provided by VANAC.

Compliance with Financial Requirements of Interagency Agreements with DOE and NRC

As part of this review, OMA reviewed NCI's compliance with the financial requirements of the interagency agreements with DOE and NRC.

- The agreements with **DOE** required that NCI:
 1. Provide matching funds beginning in FY 1997. OMA found that NCI has complied with this requirement. In fact, beginning in FY 1997, NCI has made \$5,413,000 available for the Chornobyl studies (see **Appendix 1**), and DOE made \$1,480,000 available (see **Appendix 2**). In addition, since FY 1992, NCI funds exceeded DOE available funds.
 2. Provide DOE annual financial reports beginning in FY 1992, and semiannual financial reports beginning in FY 1997. OMA found no evidence that NCI had complied with these requirements during the review period, and NCI confirmed that these reports were not submitted.

However, DOE and NCI staff have now worked together to design a mutually acceptable financial reporting format. NCI submitted the first financial report to DOE in July 1999.

- The financial requirements in the agreements with **NRC** required that NCI submit quarterly financial letter status reports summarizing the expenditure of NRC funds; OMA found that NCI has complied with this requirement.

APPENDIX 1

Fiscal Year Breakout of NCI Appropriated Funds Used by NCI on the Chernobyl Studies

October 1, 1990 through March 22, 1999

Note: Each of the amounts shown below includes estimated salaries for NCI staff who worked on the Chernobyl studies, for an estimated total of \$1,694,000. All amounts have been rounded to the nearest \$100.

<u>FY</u>	<u>Available</u>	<u>Obligated</u>	<u>Disbursed</u>
<u>Before Project Administration Was Transferred to NCI:</u>			
1991	68,300	68,300	68,300
1992	98,800	98,800	98,800
1993	264,200	219,800	211,600
1994	266,200	255,000	254,900
1995	557,900	396,300	396,300
1996	463,400	435,700	434,300
	<u>1,718,800</u>	<u>1,473,900</u>	<u>1,464,200</u>
<u>After Project Administration Was Transferred to NCI:</u>			
1997	1,780,500	1,772,300	1,068,700
1998	1,609,000	1,608,400	867,600
1999*	2,023,500	560,600	237,800
	<u>5,413,000</u>	<u>3,941,300</u>	<u>2,174,100</u>
Total	<u><u>7,131,800</u></u>	<u><u>5,415,200</u></u>	<u><u>3,638,300</u></u>

* Amounts shown are as of March 22, 1999; NCI will continue to obligate the available funds through the end of FY 1999.

APPENDIX 2

Fiscal Year Breakout of **DOE and NRC Funds** Used by NCI on the Chernobyl Studies

October 1, 1990 through March 22, 1999

Note: All amounts have been rounded to the nearest \$100

DOE Funds Used by NCI

<u>FY</u>	<u>Available</u>	<u>Obligated</u>	<u>Disbursed</u>
<u>Before Project Administration Was Transferred to NCI:</u>			
1991	100,000	100	100
1992	72,000	170,100	170,100
1993	200,000	192,700	192,700
1994	200,000	194,500	194,500
1995	250,000	157,600	139,600
1996	20,000	125,300	125,300
	<u>842,000</u>	<u>840,300</u>	<u>822,300</u>
<u>Note: As agreed to by DOE, unobligated funds carried over to following Fiscal Years.</u>			
<u>After Project Administration Was Transferred to NCI:</u>			
1997	640,000	498,100	492,700
1998	840,000	799,600	303,500
1999*	0	0	0
	<u>1,480,000</u>	<u>1,297,700</u>	<u>796,200</u>
	<u>2,322,000</u>	<u>2,138,000</u>	<u>1,618,500</u>

* The 1999 Interagency agreement for \$800,000 had not been signed as of August 1, 1999

NRC Funds Used by NCI:

<u>FY</u>	<u>Available</u>	<u>Obligated</u>	<u>Disbursed</u>
1997	834,300	834,300	834,300
Total	<u>834,300</u>	<u>834,300</u>	<u>834,300</u>

APPENDIX 3

Object Class Breakout of **All Funds and NCI Staff Resources** Used by NCI on
the Chernobyl Studies from October 1, 1990 through March 22, 1999

Note: All amounts have been rounded to the nearest \$100.

<u>Object Class</u>	<u>Category</u>	<u>Obligations</u>	<u>Disbursements</u>
21	Travel & Transportation of Persons	\$522,600	\$468,400
25	Other Contractual Services	6,069,600	3,828,100
26	Supplies and Materials	85,000	84,900
	Miscellaneous*	16,300	15,800
	Estimated NCI Staff Salaries	<u>1,694,000</u>	<u>1,694,000</u>
	Total	<u>\$8,387,500</u>	<u>\$6,091,200</u>

* Miscellaneous includes:

<u>Object Class</u>	<u>Category</u>	<u>Obligations</u>	<u>Disbursements</u>
11	Personnel Compensation	\$300	\$300
22	Transportation of Things	3,900	3,900
23	Rent, Communications, Utilities	100	100
24	Printing and Reproduction	5,600	5,600
31	Equipment	6,300	5,800
43	Interest and Dividends	<u>100</u>	<u>100</u>
	Total	<u>\$16,300</u>	<u>\$15,800</u>